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Mobile Money Versus Traditional Banking: Accessibility, Cost, And Financial Inclusion Among Low-Income Urban Populations In Zambia.

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Abstract
Financial exclusion remains a critical barrier to economic participation among low-income populations in urban Zambia. This study examines the comparative impact of mobile money services and traditional banking on financial inclusion, focusing on accessibility, cost, and user experience. A mixed-methods approach was employed, combining quantitative surveys and qualitative interviews from 150 respondents in Lusaka and Kitwe. Data were analyzed using descriptive and inferential statistics. Findings reveal that mobile money services offer superior accessibility and affordability for daily transactions, particularly among individuals without formal documentation or stable employment. Traditional banks, while providing broader service portfolios, are hindered by high costs, physical distance, and bureaucratic barriers. Financial inclusion was highest among users who engaged with both systems, leveraging mobile convenience and banking security. The study concludes that a hybrid model integrating mobile and traditional services would better serve low-income urban populations. Recommendations include expanding digital infrastructure, promoting financial literacy, and supporting inclusive policy frameworks.

Keywords: *Financial inclusion, mobile money, traditional banking, urban Zambia, digital finance, low-income populations*

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I. Introduction

Access to financial services is a critical enabler of economic participation and poverty reduction, particularly among low-income populations. Financial inclusion has emerged as a development priority for governments and international organizations, aiming to ensure that individuals and businesses have access to useful and affordable financial products regardless of income level (World Bank, 2014). In Zambia, the financial landscape is shaped by both traditional banking institutions and technology-driven platforms such as mobile money services, each offering different pathways to financial inclusion with varying implications for accessibility, cost, and user engagement.

As Zambia continues to urbanize, low-income individuals in cities like Lusaka and Kitwe face multiple financial challenges, including limited access to bank branches, high service fees, and rigid account opening procedures (Financial Sector Deepening Zambia, 2018). Traditional banking, while established and trusted, often excludes this demographic due to barriers such as high fees, documentation requirements, and limited physical accessibility. Conversely, mobile money has gained traction by offering basic financial services through mobile phones, reaching populations historically excluded from the formal banking sector (Jack & Suri, 2011).

Despite the growing presence of mobile money, concerns remain regarding its reliability, regulatory oversight, and ability to offer a full range of financial services. Moreover, while mobile money addresses accessibility challenges, questions persist about transaction costs, security, and the depth of financial services provided compared to traditional banks.

Research Gap

Existing literature extensively documents mobile money's impact on financial inclusion across Africa (GSMA, 2021; Suri, 2017), yet limited comparative research assesses how mobile money and traditional banking perform specifically among low-income urban populations in Zambia. Most studies either focus solely on one service model or provide nationally aggregated data that obscures urban-specific dynamics. Furthermore, there is inadequate evidence on how gender, age, and digital literacy affect adoption patterns across both platforms, and little exploration of hybrid service models that combine features of both systems.

Research Objectives

This study aims to:

1. Assess the accessibility of mobile money services compared to traditional banking for low-income individuals in urban Zambia
2. Compare the costs associated with using mobile money services versus traditional banking
3. Evaluate the extent to which both services promote financial inclusion among low-income urban populations
4. Identify key barriers preventing full utilization of both service models

Structure of the Paper

This paper is organized as follows: Section 2 reviews relevant literature on financial inclusion, mobile money, and traditional banking; Section 3 presents the conceptual framework guiding the study; Section 4 describes the research methodology; Section 5 presents the findings; Section 6 discusses the results in relation to existing literature; and Section 7 concludes with implications, recommendations, and suggestions for future research.

II. Literature Review

Theoretical Foundations

Financial inclusion theory posits that expanding access to financial services is critical for reducing poverty and promoting economic development (Sarma & Pais, 2011). Inclusive financial systems enable individuals to access affordable credit and insurance, save securely, transact efficiently, and manage risk. The theory emphasizes that financial inclusion is multidimensional, encompassing access (physical and digital proximity), usage (frequency and diversity of services), and quality (reliability, convenience, and consumer protection).

The Technology Acceptance Model (TAM), developed by Davis (1989), explains how users adopt new technologies based on perceived usefulness and perceived ease of use. In the Zambian context, TAM is particularly relevant for understanding mobile money adoption, as it helps explain how users perceive the convenience of mobile transactions, the influence of digital literacy, and barriers such as network connectivity or fraud concerns.

Mobile Money and Financial Inclusion

Mobile money has revolutionized financial access for underserved populations globally. Jack and Suri (2014) found that Kenya's M-PESA enabled households to smooth consumption and absorb economic shocks, lifting approximately 194,000 households out of poverty between 2008 and 2014. Sub-Saharan Africa accounts for over 60% of global mobile money transactions, driven by high mobile penetration, sparse banking infrastructure, and a tech-savvy population (GSMA, 2021).

In Zambia, mobile phone penetration reached 96.4% by 2020, with internet penetration at 56%, facilitating mobile financial transactions (ZICTA, 2020). Mobile money subscriptions surpassed 9 million, with services like MTN Mobile Money, Airtel Money, and Zamtel Kwacha enabling low-income Zambians to conduct financial transactions without formal employment or documentation (Bank of Zambia, 2022).

However, Zins and Weill (2016) caution that while mobile money increases access, it may not ensure sustained usage or deep financial engagement. Mobile money primarily facilitates transactional activities rather than savings or credit access, which remain strengths of traditional banking.

Traditional Banking and Financial Exclusion

Traditional banks offer comprehensive financial services including long-term savings products, business loans, interest-earning accounts, and legal consumer protections (Beck & Cull, 2013). However, they face challenges in serving low-income populations due to high operating costs, low branch coverage in peri-urban areas, and complex Know Your Customer (KYC) requirements (Demirgüç-Kunt et al., 2018).

Studies show that urban informal sector workers—street vendors, taxi drivers, and domestic workers—use mobile money for daily transactions but revert to banks for larger or formal investments (Chisanga, 2019). This suggests complementarity rather than substitution between the two systems.

Comparative Studies and Research Gaps

While both platforms have distinct advantages and limitations, few studies assess them comparatively in the Zambian context based on affordability, trust, customer support, digital literacy requirements, and access barriers related to gender and age. Most Zambian financial inclusion studies are either nationally aggregated or rural-focused, ignoring unique dynamics of urban poor populations facing higher living costs, informal employment, and variable digital access.

This study addresses these gaps by providing evidence-based comparative analysis specific to urban Zambia, examining how contextual factors such as digital literacy, income level, education, and gender affect financial inclusion outcomes.

III. Conceptual / Theoretical Framework

This study employs a conceptual framework positioning financial inclusion as the outcome influenced by two service delivery models: mobile money and traditional banking. Each model interacts with contextual factors—digital literacy, income level, education, gender, and employment status—to affect inclusion outcomes.

Mobile Money Model
Strengths: High accessibility, low transaction costs, minimal documentation, 24/7 service availability
Weaknesses: Limited service range, low trust for savings or large transactions, fraud risk, network reliability issues

Traditional Banking Model
Strengths: Comprehensive financial services, regulatory oversight, interest-bearing accounts, credit access
Weaknesses: Bureaucratic processes, minimum balance requirements, limited physical reach, operating hour constraints

Conceptual Model
The framework proposes that:
1. Accessibility is determined by physical proximity, documentation requirements, and service availability
2. Cost encompasses transaction fees, maintenance charges, and indirect costs (time, transport)
3. Financial Inclusion outcomes depend on the interaction between service characteristics and user contextual factors
4. Hybrid usage (combining both models) potentially yields optimal inclusion outcomes

This framework guides the empirical investigation by identifying key variables and expected relationships to be tested through primary data collection.

IV. Methodology

Research Design

This study employs a mixed-methods approach, integrating quantitative and qualitative elements to provide comprehensive understanding of mobile money and traditional banking usage among low-income urban populations. The quantitative component emphasizes numerical data to identify patterns and test relationships between variables, while the qualitative component captures deeper insights into user experiences and challenges.

Participants and Data Sources

The study population comprised 150 adult residents (18 years and above) from Lusaka and Kitwe, representing diverse socio-economic backgrounds. A stratified random sampling technique was employed, dividing the population into strata based on age, gender, and income level, with random samples drawn from each stratum to ensure representativeness.

Data Collection Tools

Primary data were collected through structured questionnaires containing both closed-ended and open-ended questions. The questionnaire assessed:

- Demographic characteristics
- Types of financial services used
- Service accessibility and frequency of use
- Cost perceptions and actual fees paid
- Financial inclusion status
- Barriers and challenges experienced
- User preferences and satisfaction levels

Data Analysis Method

Data were coded and analyzed using Microsoft Excel. Descriptive statistics (frequencies, percentages, means) summarized demographic profiles and financial behaviors. Cross-tabulations examined relationships between variables such as income level and service accessibility. Thematic analysis was applied to open-ended responses to identify recurring patterns and user concerns.

Ethical Considerations

Informed consent was obtained from all participants after explaining the study purpose, voluntary participation, and confidentiality measures. No personally identifiable information was collected, and data were securely stored. Participants were informed of their right to withdraw at any time without penalty.

Validity and Reliability

A pilot study was conducted to refine the questionnaire and ensure question clarity. Content validity was established by aligning questions with research objectives and theoretical frameworks. Input from academic supervisors and field experts ensured comprehensive coverage of relevant dimensions. Reliability was enhanced through consistent data collection procedures across all respondents.

V. Findings / Results

Demographic Profile

The sample comprised 150 respondents from Lusaka and Kitwe. The majority (62%) were aged 25-44, with relatively balanced gender distribution. Education levels varied, with 45% having secondary education and 28% tertiary education. Employment status showed 38% formally employed, 34% self-employed, and 28% unemployed or students. Income distribution revealed that 52% earned below ZMW 3,000 monthly, classifying as low-income.

Financial Services Usage

Figure 1 presents the distribution of financial service usage:

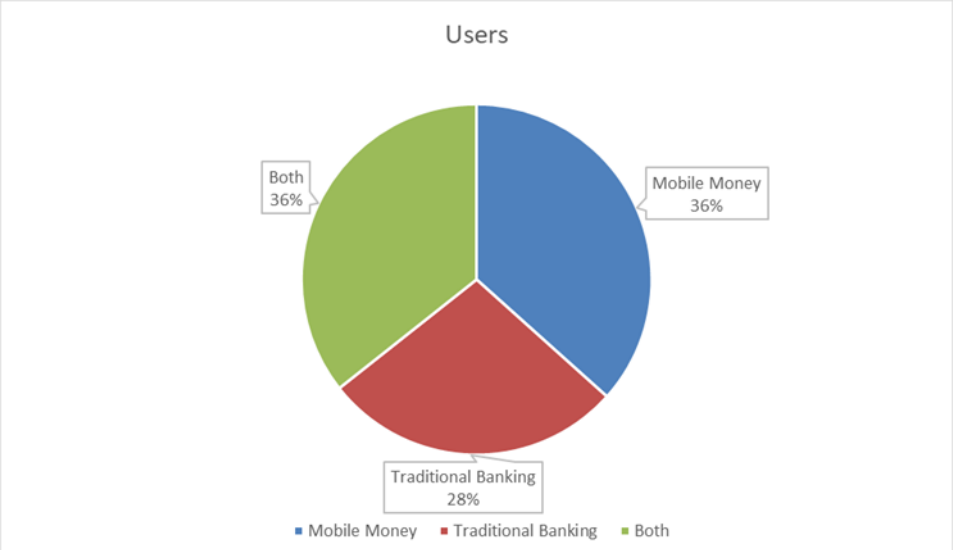


Figure 1: Usage of Financial Services

Key Finding: Over 60% of respondents use mobile money either exclusively or in combination with traditional banking, reflecting mobile money's dominance among low-income urban populations.

Service Accessibility

Accessibility ratings differed significantly between the two models:

Table 1: Accessibility Rating of Mobile Money by Income Level

Mobile Money				
	Not Accessible	**Somewhat Accessible**	**Accessible**	**Very Accessible**
Less than ZMW 1000	9	8	4	5
ZMW 1,000 - ZMW 2,999	6	3	4	2
ZMW 3,000 - ZMW 4,999	6	4	3	4
ZMW 5,000 and above	4	5	4	2
Total	**25**	**20**	**15**	**13**

Table 2: Accessibility Rating of Traditional Banking by Income Level

Traditional Banking				
	Not Accessible	**Somewhat Accessible**	**Accessible**	**Very Accessible**
Less than ZMW 1000	2	2	2	4
ZMW 1,000 - ZMW 2,999	0	4	4	3

ZMW 3,000 - ZMW 4,999	9	5	3	1
ZMW 5,000 and above	3	7	3	3
Total	**14**	**18**	**12**	**11**

Key Findings
- Mobile money agents are present in local markets, bus stations, and residential areas, enabling 24/7 access through USSD codes
- Traditional banks are concentrated in urban centers, requiring costly travel and restricting access to business hours
- Registration for mobile money requires only national ID and mobile phone, versus extensive documentation for bank accounts

Cost Comparison
Cost perceptions varied significantly by service type and income level:

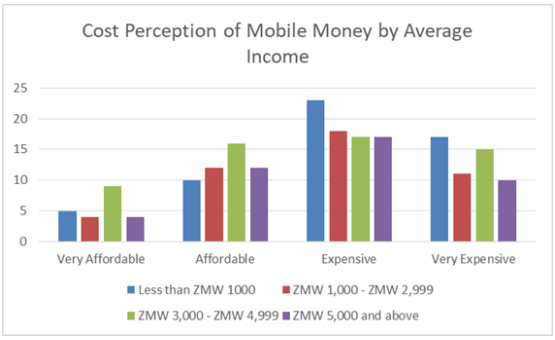


Figure 2: Cost Perception by Service Type

Key Findings:
- 70% rated mobile money as affordable or very affordable
- 64% rated traditional banking as expensive or very expensive
- Low-income households found mobile money significantly more cost-effective despite transaction fees
- Traditional banking costs include maintenance fees, minimum balance penalties, and ATM charges

Financial Inclusion Status

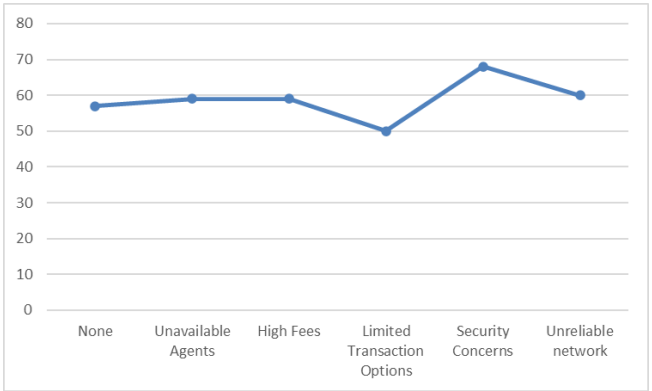
Table 3: Perceived Inclusivity of Financial Services:

Inclusivity	Mobile Money	Traditional Banking
Yes	94	68
No	43	63
Unsure	63	70

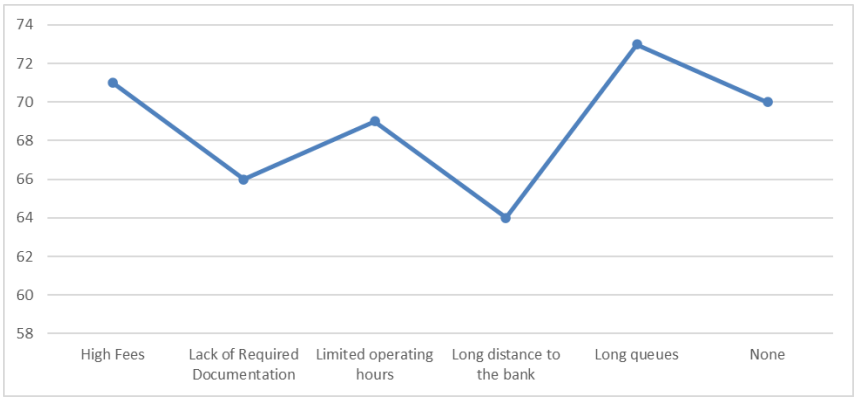
Key Finding: Users engaging with both services reported the highest financial inclusion levels, benefiting from mobile convenience and banking security.

Barriers and Challenges

Although mobile money services are widely used among low-income individuals in urban areas, several critical challenges limit their effectiveness.



Traditional banking services, while essential for formal financial activities, present several significant challenges for low-income individuals in urban areas.



Key Finding: While mobile money addresses accessibility, technical reliability and service breadth remain concerns. Traditional banking faces fundamental structural barriers limiting low-income access.

VI. Discussion

Interpretation of Key Findings

The findings confirm that mobile money has become the dominant financial platform for low-income urban populations in Zambia, consistent with broader Sub-Saharan African trends (GSMA, 2021). The high adoption rates reflect mobile money's alignment with the daily financial behaviors and constraints of low-income users, who require frequent, small-value transactions without bureaucratic impediments.

Linking to Theory and Prior Studies

The results support the Technology Acceptance Model (TAM), demonstrating that perceived ease of use (simplified registration, agent proximity, 24/7 access) and perceived usefulness (affordability, speed) drive mobile money adoption. The lower accessibility ratings for traditional banking reflect structural barriers that financial inclusion theory identifies as critical exclusion factors: physical distance, documentation requirements, and cost (Sarma & Pais, 2011).

Jack and Suri's (2014) findings in Kenya are echoed in this Zambian context: mobile money enables financial participation for populations previously excluded from formal banking. However, this study extends understanding by demonstrating that optimal financial inclusion occurs through hybrid usage, combining mobile money's transactional convenience with traditional banking's savings and credit capabilities.

Practical Implications

For Policymakers:
- Regulatory frameworks should support mobile money innovation while ensuring consumer protection
- Infrastructure investment is needed to improve network reliability in urban areas
- Financial literacy programs should be targeted at low-income populations to maximize service utilization

For Financial Institutions:
- Traditional banks should explore partnerships with mobile money providers to create hybrid products
- Banks need to restructure pricing models, introducing tiered accounts suitable for low-income customers
- Digital transformation of banking services can reduce costs and improve accessibility

For Mobile Money Operators:
- Expanding agent networks in underserved neighborhoods enhances accessibility
- Service portfolios should be broadened to include savings and micro-credit products
- Security features and consumer education are critical to building trust

What This Study Reveals

This research demonstrates that financial inclusion is not an either-or proposition between mobile money and traditional banking. Rather, the two systems serve complementary functions: mobile money provides accessible, affordable transactional services, while traditional banking offers security, formal savings, and credit access. Low-income populations strategically navigate both systems based on their specific financial needs and circumstances.

The study also reveals that barriers to financial inclusion are multidimensional, encompassing not just access but also cost, trust, literacy, and service quality. Addressing these barriers requires coordinated efforts across regulatory, institutional, and technological domains.

VII. Conclusion

Summary of Key Insights

This study examined the comparative effectiveness of mobile money and traditional banking in promoting financial inclusion among low-income urban populations in Zambia. The findings reveal that mobile money services significantly outperform traditional banking in terms of accessibility and affordability, making them the preferred platform for daily financial transactions among the urban poor. However, traditional banks remain relevant for formal financial activities requiring security, documentation, and comprehensive service portfolios.

Importantly, the research demonstrates that financial inclusion outcomes are optimized when users can access both systems, leveraging the strengths of each. This suggests that the future of inclusive finance lies not in the dominance of one model over another, but in their integration and complementarity.

Contribution to Knowledge

This study makes several contributions to the literature on financial inclusion:

1. Empirical Evidence: Provides comparative quantitative and qualitative data specific to urban Zambia, addressing a gap in localized financial inclusion research
2. Hybrid Model Validation: Demonstrates that combined usage of mobile money and traditional banking yields superior inclusion outcomes
3. Barrier Identification: Systematically documents specific barriers faced by low-income users across both platforms
4. Contextual Analysis: Examines how income level, digital literacy, and employment status affect service adoption and usage patterns

Practical Recommendations

Based on the findings, the following recommendations are proposed:

Policy Level:

- Develop regulatory frameworks that encourage innovation while protecting consumers
- Invest in digital infrastructure to improve network reliability and coverage
- Support financial literacy programs targeting low-income and marginalized populations

Institutional Level:

- Traditional banks should partner with mobile money providers to create hybrid products
- Restructure pricing to introduce low-cost, low-minimum-balance accounts
- Expand agent banking networks in underserved urban areas
- Simplify documentation requirements while maintaining regulatory compliance

Service Delivery Level:

- Mobile money operators should broaden service portfolios to include savings and credit products
- Enhance security features and consumer education to build trust
- Traditional banks should digitize services to reduce operational costs and improve accessibility

Limitations of the Study

This research has several limitations that should be acknowledged:

1. Cross-sectional Design: Data collected at a single point in time limit analysis of trends or long-term impacts
2. Self-reported Data: Potential for recall bias and social desirability bias in responses
3. Geographic Scope: Focus on Lusaka and Kitwe may not fully represent all urban areas in Zambia
4. Sample Size: While adequate for exploratory analysis, a larger sample would enhance generalizability
5. Temporal Constraints: Limited ability to assess seasonal variations in financial service usage

Suggestions for Future Research

To build on these findings, future research should:

1. Longitudinal Studies: Examine long-term impacts of mobile money usage on savings behavior, investment patterns, and economic outcomes
2. Gender Analysis: Investigate gendered dimensions of financial inclusion, examining differential barriers and opportunities for women

3. Regulatory Effectiveness: Assess how regulatory frameworks impact innovation, consumer protection, and market competition
4. Hybrid Model Design: Develop and test integrated service models that optimize features of both platforms
5. Rural-Urban Comparison: Compare financial inclusion dynamics between urban and rural populations to inform tailored interventions
6. Youth and Digital Natives: Examine how younger populations navigate digital financial services and their long-term financial behaviors

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